

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. BACKGROUND

PSG Group Ltd (“PSG Group” or “the company” or “the group”) is an investment holding company consisting of underlying investments that operate across a diverse range of industries, which include financial services, education and food and related business, as well as early-stage investments in select growth sectors.

PSG Group remains committed to:

- Investing in companies that act responsibly in respect of environmental, social and governance (“ESG”) matters.
- Exercising ethical and effective leadership to achieve the four governance outcomes: ethical culture, good performance, effective control and legitimacy, as advocated in the King IV Report on Corporate Governance™ for South Africa, 2016 (“King IV™”). A detailed analysis of PSG Group’s compliance with King IV™ is available at [www.psggroup.co.za](http://www.psggroup.co.za).

Approximately 91% of PSG Group’s total asset value comprises investees that are separately listed on exchanges and independently managed. These companies are similarly committed to act responsibly in respect of ESG matters, and to report thereon to stakeholders in terms of King IV™. Whether listed or not, PSG Group expects all its underlying investees to act responsibly in respect of ESG matters and our representatives on the respective companies’ boards of directors and finance/audit and risk committees have been tasked to ensure same.

## 2. ENVIRONMENTAL

PSG Group believes in responsible investing and supports the notion of protecting our planet through, amongst other, combating climate change by reducing our environmental footprint, both at a PSG Group and investee level.

### PSG GROUP

Since PSG Group is an investment holding company with limited operations, its head office comprises only 12 employees dedicated full-time to the day-to-day running of PSG Group and PSG Alpha, a 98,3%-held subsidiary which houses, inter alia, PSG Group’s early-stage investments. PSG Group and its employees continuously aim to reduce their environmental footprint to promote sustainability through various means (as also embraced by many investees) such as to:

- Reduce air and ground travel to limit our carbon footprint by:
  - Making use of virtual electronic means for meetings (and not just owing to Covid-19 remote working arrangements).
  - Holding PSG Group’s results presentations, investor presentations and other meetings by way of virtual electronic means, rather than in-person meetings.
- Reduce paper usage significantly through:
  - Utilising meeting portal software and other electronic means instead of printing out large hardcopy information packs.
  - No longer publishing PSG Group’s financial results in the printed media, to the extent allowed by the JSE Listings Requirements.
  - Conducting internal communication electronically, including placing staff manuals and policy documents online.
- Conserve water and electricity through awareness initiatives and the installation of energy-efficient solutions, such as low-energy LED globes.
- Recycle waste and to dispose of electronic waste in a responsible manner.
- Limit the use of single-use plastic, such as bottled water.

### INVESTEES

PSG Group believes in conducting its business in a responsible manner, with due regard for the potential impact thereof on the environment in which it operates and on society at large. All its investees are similarly committed.

With this notion in mind, PSG Group has intentionally not invested in businesses engaged in the production of harmful products or whose operations are detrimental to the environment, but has instead invested in companies providing financial services (PSG Konsult), renewable energy (Energy Partners), retirement lifestyle villages (Evergreen), food and related business offerings (through Zeder in Zaad, Capespan and Agrivision Africa, as well as in Kaap Agri) and education (Curro, Stadio and Optimi) – all also making a positive contribution to society.

### 3. SOCIAL MATTERS

As a good corporate citizen with the best interest of our country and its people at heart, PSG Group contributes significantly to society. We thoroughly believe that an educated community will sustainably improve the long-term well-being of society. PSG Group, as an investment holding company, has therefore primarily directed its corporate social investment ("CSI") efforts at supporting education on various levels. PSG Group also subscribes to and support social upliftment through broad-based black economic empowerment ("B-BBEE"), having established, funded and invested in various B-BBEE initiatives throughout the years, through which significant value has been created for B-BBEE participants.

Below are some of the CSI initiatives undertaken by PSG Group and its investees. Although this is not a comprehensive list, it illustrates our dedication to making South Africa a better place.

#### **PSG GROUP**

A significant theme throughout the group is our contribution to all levels of education – from early-childhood development, all the way through to higher and adult education. We firmly believe in the multiplier effect that education brings, not only to the individual, but to society at large.

#### **The PSG Group/Jannie Mouton Foundation Bursary Scheme at Stellenbosch University**

We started this initiative in 2007, when PSG Group and Jannie Mouton each donated 100 000 PSG Group shares, currently worth approximately R74m in the aggregate (inclusive of the Capitec shares unbundled to PSG Group shareholders during 2020), to provide financial support to gifted disadvantaged students to study at Stellenbosch University. To date, 110 students have benefit from financial support through this scheme with over R7,2m granted. Their fields of study include medicine, law, actuarial science, accounting, investment management, engineering, social sciences and visual arts.

#### **Akkerdoppies**

PSG Group and the PSG Group BEE Education Trust have provided this pre-primary school with ongoing financial support since its establishment in 2008. Akkerdoppies is committed to early-childhood development providing essential education and skills to children from the disadvantaged communities of Stellenbosch. The school has 160 children and employs 18 people. We remain committed to a long-term relationship with this initiative and appreciate their significant positive contribution to the community.

During the past year, the PSG Group BEE Education Trust also provided additional funding to Akkerdoppies to assist with their new Akker-Fikelela project, whereby they aim to reach out to at least 30 other early-childhood development centres and offer training to the teachers and parents in order to ensure school readiness for the children, focusing on gross motor, fine motor, perceptual and life skills, as well as language development.

#### **PSG Group BEE Education Trust**

This trust owns unencumbered PSG Group and Capitec shares worth approximately R930m in aggregate. Dividends received from these shares are used to grant bursaries to black learners/trainees (including through contributions to Akkerdoppies, the Ruta Sechaba Foundation and Amicus Trust), while annual distributions are made to black employees.

#### **Ruta Sechaba Foundation**

The foundation was established in 2016 and provides academic and sport scholarships to qualifying black learners at Curro and Curro-managed schools. PSG Group was the founder of both the PSG Group BEE Education Trust and Dipeo BEE Education Trust, being the initial donors to the foundation. The foundation is open to all corporates and individuals who wish to contribute to education in South Africa in a structured manner.

Collectively, the PSG Group BEE Education Trust and Dipeo BEE Education Trust have to date contributed more than R56m to the foundation, with more than 183 beneficiaries having completed grade 12 with such assistance. Some of these learners are from South Africa's poorest townships – we aim to give them an opportunity to graduate with a grade 12 certificate from a high-quality educational institution. We are proud of the achievements of the 2021 beneficiaries – 14% of our grade 12 learners passed with an A-average, while at least 72% of our grade 12 learners passed with no less than one subject distinction.

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(continued)

## Amicus Trust

The PSG Group BEE Education Trust continues to provide this initiative with financial support for its training and skill-based programmes in Stellenbosch, which include –

- Bergzicht Training, which provides frail care, childcare and hospitality training. 303 individuals completed their training during the past year, of whom approximately 66% was successfully placed in positions of employment.
- Stellemploy, which provides training in artisan skills, including plumbing, painting and carpentry. 127 individuals completed their training during the past year, of whom approximately 80% was successfully placed in positions of employment.
- Pinotage Youth Development Academy, which provides training in occupations related to the wine, fruit and related industries. 89 individuals completed their training during the past year, of whom approximately 66% was successfully placed in positions of employment.

## INVESTEES

It is evident from the aforementioned that PSG Group makes a significant *direct* contribution to society. However, as an investment holding company, with our underlying investments also having various CSI initiatives, PSG Group also makes a substantial *indirect* contribution to society. Below, in no particular order and by no means exhaustive, are some of the CSI projects undertaken by our investees:

### PSG Konsult

PSG Konsult invests in educational and social programmes that aim to further employment and economic empowerment. Below are some of their CSI projects:

- Adopt-a-School: a programme that supports and enhances the learning and teaching environment in disadvantaged schools, with the aim of addressing inequalities and inadequacies in rural areas. PSG Konsult has adopted four such schools with more than 2 100 learners in total. These schools are located close to the economic hubs, thereby enabling PSG Konsult employees to provide hands-on support.
- Childcare and children's homes are provided with monthly food parcels and funding.
- PSG Konsult has invested more than R32m in the ASISA Enterprise Development Fund since February 2015. This initiative invests in the sustainability of small and medium-sized enterprises ("SMEs") in South Africa, and supports government's drive for job creation and economic growth.
- Graduate and bursary programme with 39 graduates enrolled and nine students supported through bursaries currently.

### Curro

PSG Group has to date invested more than R3bn cash in Curro, the largest private school group in southern Africa. Curro plays an important part in educating the youth. Its business model assists government by carrying part of the significant capital burden of building new schools, while Curro's running costs to educate more than 70 000 learners save the country well over R1bn annually. Curro employs in excess of 6 000 people.

### Capespan

Capespan's initiatives are aimed at improving the quality of life of farmworkers and rural communities in the fruit production areas where the company operates. CSI initiatives are developed in partnership with local communities, local government and industry stakeholders. Initiatives integrate socio-economic, occupational health and education development activities based on the communities' needs. Below are some of their CSI initiatives:

- Place of Mercy and Hope Pre-school located in Valentia Township (Addo, Eastern Cape), which educates more than 170 pre-school children:
  - Capespan contributed to the installation of synthetic grass at the pre-school outdoor play area.
  - Capespan annually provides a uniform and protective clothing to the facility gardener, who propagates his own vegetable seedlings with the produce supplementing the daily meals served to the children attending the pre-school, and which also benefits some 300 community members reliant on the weekly soup kitchen operated from the premises.

- Capespan constructed a farm worker community clinic and training & early childhood development facility at their Norriseep farm in the Northern Cape. The Northern Cape Department of Health's Covid-19 vaccination campaign recently utilised this facility.

### **Kaap Agri**

Kaap Agri's CSI projects focus on training and skills development in the agriculture sector. Below are some of their CSI initiatives:

- Kaap Agri Academy empowers emerging farmers and farmworkers through offering learnership programmes in mixed farming (NQF level 2), animal production (NQF level 4) and plant production (NQF level 4). The academy also trains farmworkers through various short courses. Kaap Agri's investment in the academy during the past year amounted to R1,3m.
- Kaap Agri supports the Virtual Classroom Programme, which aims to bring the best technology and classroom practices to informal settlement and rural schools. Wemmershoek Primary in Franschoek, with its 189 grade 1 to 3 learners, was chosen to participate in the programme and Kaap Agri's investment during the past year amounted to R0,4m.
- During 2019, Kaap Agri committed to donate R100 000 annually to the Nelson Mandela Children's Fund, which commitment Kaap Agri has now renewed for a further three years. With the funding received from Kaap Agri, afterschool programmes (including mathematics and literacy classes) have been implemented at Soetendal Primary School.
- The Kaap Agri Bursary Programme aims to use education to break the cycle of poverty for both learners and their families, with 46 secondary school learners and six university students having benefited from this programme during the past year. The investment in secondary and tertiary education amounted to R2,1m during the past year.

### **Zaad**

Zaad's CSI projects focus on the development of emerging agriculture and include the distribution of vegetable garden kits to previously disadvantaged communities and feeding schemes. The donation of seeds to the Qhumanco agricultural project has contributed to a successful harvest of the 50ha trial planting, with a second round of 50ha having been planted during December 2021.

### **The Logistics Group ("TLG")**

TLG's CSI projects focus on social and economic development through making donations to various initiatives:

- Domino Foundation, facilitating access to the economy for individuals through the implementation of development programmes for women and youth, healthcare interventions and education programmes.
- Girls and Boys Town, providing care for children coming from difficult home circumstances. The donation will assist in providing programmes designed to develop their academic success, healthy relationships, leadership and citizenship skills.
- Child Welfare South Africa, providing child abuse prevention programmes, life skills programmes and food and basic necessity parcels.

### **Optimi**

Optimi has undertaken several CSI initiatives in education over the past year, including:

- Offering 30 weekend tutoring sessions of two hours each for mathematics, physical science and accounting to grade 11 learners at Bona Lesedi Secondary School in Mamelodi, Gauteng.
- Providing bursaries for two learners at Boys and Girls Town.
- Assisting Durban Child Welfare through sponsoring gardening services.
- As part of the Mandela Day initiative, Optimi supported the TLC Children's Home in Centurion and the Wollies Animal Shelter in Pretoria, Gauteng.

### **Energy Partners**

Over the past year, Energy Partners supported the We Love Football Academy by providing essential stationery to all the children at the academy, and participated in a donation drive whereby staff brought sneakers, sporting goods, toiletries and non-perishable items for distribution to families in need over the year-end holidays, as well as fun and sweet packs for the kids to enjoy. The academy provides sport and life skills coaching to youth in underprivileged communities.

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Energy Partners further provides funding and volunteer their employees' time to Develop Dental, a registered non-profit organisation determined to eradicate oral diseases and reduce the prevalence of dental decay, the most common chronic disease world-wide, by increasing oral health awareness among children, youth and their families. Their focus is on empowering children and youth in under-resourced communities to make healthier choices concentrating on nutrition, health education and personal development.

## ProVest

ProVest's CSI initiatives are focused on the community where it operates, which included the following during the past year:

- Rasimone Village Cemetery: ProVest sponsored and renovated the ablution facility, including the installation of a new toilet system, tiling, painting and the installation of security gates. ProVest believes that this initiative will restore the dignity of the communities when visiting the cemetery to pay their respects to their departed family members.
- Sponsored school uniforms to 54 orphaned learners of Maphooko Primary School, Ga-Sekhukhune in Limpopo. Furthermore, ProVest donated masks and three sanitizer stands to support the school's adherence to Covid-19 protocols.
- Donated school shoes to 26 learners of different schools in Seraleng Community, as well as 100 learners of Sekete High School and Maile Primary School in Rustenburg, North West.
- Sponsored the installation of blinds at the administration block of Sekete High School and donated 100 classroom chairs to the school.
- Donated grade R classroom furniture to Rasimone Primary School in Rustenburg, North West.

## Evergreen

Evergreen's residents and staff are always exceptionally willing to assist in any community improvement initiatives, which in the past year included replacing the heat pump and storage tank at Douglas Murray Home for the aged in the underprivileged community of Retreat, Western Cape, to provide hot water to its 66 residents.

## CA&S

The CA&S group operates in various geographical areas throughout southern Africa and its CSI initiatives are mainly focused on education, children and the elderly in the communities in which they operate. Below are some of the CSI projects that CA&S supported during the past year:

### Botswana

- Provided food and toiletries to assist the Monax Shelter for Hope Trust in Metsimothlabe care for the elderly.
- Provided food and toiletries to assist the Olorato Children Care Centre in Kanye care for orphans and vulnerable children.

### Namibia

- Provided food and basic groceries to 28 families and 54 elderlies through Die Helpende Hande, a community-based charity organisation.
- Provided meal packs to MakeANoise, a community safety initiative that aims to help prevent gender-based violence, child abuse and rape.
- Supported the Shoprite Namibia initiative to provide underprivileged children in informal settlements with a warm meal.

### South Africa

- Supported the Potato Foundation, which aims to improve the lives of children by providing educational opportunities and facilitating feeding schemes. They have a pay-it-forward philosophy in that all beneficiaries of funds or donations must in turn give back to their community. They do this by volunteering at the Potato Foundation Soup Days and various other projects and initiatives.

### Eswatini

- Food packs were provided to Bulembu Ministries, a children's home caring for 370 vulnerable children.

## Stadio

Stadio spent R25m on bursaries, scholarships and fee discounts to students, and further engaged with students during Covid-19 to enter into various payment extensions, where necessary. Various other CSI initiatives, to name a few, included:

- Collaborated with various businesses to support nurses at the Netcare Olivedale Clinic on International Nurses Day by donating hampers containing care items.
- Supported the A-CARE-DEMICS initiative, being an outreach platform to schools and charities. It included knitting scarves, beanies, boot cuffs and gloves, as well as items for new-born babies at Tygerberg Hospital, and providing sanitary towels and sweets to Tygerberg Hospital Children's Trust and Alpha Primary School in Morning Star, Western Cape.
- Sponsored the winners of the Exxaro Special Jersey at the Absa Cape Epic, reserved for riders under the age of 26 who hail from previously disadvantaged backgrounds.
- Sponsorships and donations to various old age homes, children homes, orphanages, youth programmes and community development programmes.

## 4. LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

### 4.1 *The PSG Group board of directors ("Board")*

The Board comprises 10 directors of whom three serve in an executive capacity. Five of the remaining seven non-executive directors are independent. Details of PSG Group's directors are provided on pages 4 and 5 of this annual report. The Board is satisfied with its diversity from an age, gender, race and culture perspective, and that its composition contains the appropriate mix of knowledge, skills, experience and independence.

The Board operates in terms of a board-approved charter, the provisions of which have been complied with during the year under review.

There is a clear division of responsibilities at board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making. The Board is satisfied that its current composition ensures such a balance of power and authority.

### 4.2 *Key roles and responsibilities of the Board*

The Board's key roles and responsibilities include, inter alia, the following:

- Promoting the interests of all stakeholders;
- Formulation and approval of strategy;
- Exercising effective control; and
- Ultimate accountability and responsibility for the performance and affairs of PSG Group.

The Board is the ultimate custodian of shareholder funds, with a responsibility to invest it wisely to deliver on PSG Group's stated objective of long-term value creation for shareholders.

### 4.3 *Chairman and lead independent director*

Mr ZL Combi fulfils the role of independent non-executive chairman and Mr PE Burton serves as lead independent director.

### 4.4 *Chief executive officer ("CEO")*

Mr PJ Mouton continues to serve as CEO and has been employed within the broader group for the past 18 years. His employment agreement is customary for positions of this nature, and his resignation notice period is three calendar months.

The Board continuously considers succession planning for the CEO role, as well as for other key executives, and is satisfied that sufficient plans are in place. The company is in a fortunate position to retain the services of Messrs WL Greeff (chief financial officer ("CFO")) and JA Holtzhausen (PSG Capital CEO) as executive directors alongside Mr PJ Mouton. They have a wealth of experience and have respectively served within the broader group for the past 20 and 24 years. Similarly, Messrs Greeff and Holtzhausen are supported by a dynamic team of long-serving and capable employees within their respective roles.

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Mr PJ Mouton serves as representative on the boards of all PSG Group's core investees, including PSG Konsult, Curro and Zeder. He has no professional commitments other than his role as PSG Group CEO.

## 4.5 Board meetings and attendance

The Board met four times during the past year and the attendance at such meetings is detailed in the table below:

Director	19 Apr 2021	8 Jul 2021	13 Oct 2021	22 Feb 2022
PE Burton	✓	✓	✓	✓
ZL Combi (chairman)	✓	✓	✓	✓
FJ Gouws	✓	✓	✓	✓
WL Greeff	✓	✓	✓	✓
AM Hlobo	✓	✓	✓	✓
JA Holtzhausen	✓	✓	✓	✓
B Mathews	✓	✓	✓	✓
JJ Mouton	✓	✓	✓	✓
PJ Mouton	✓	✓	✓	✓
CA Otto	✓	✓	✓	✓

✓ Present

## 4.6 Board performance and independence evaluations

Both the effectiveness and ethical leadership of the Board are continuously considered and any areas of concern are addressed as and when they arise. The Board is assessed annually by the PSG Group Nomination Committee dealing with individual directors, including the chairman, the Board as a whole, as well as its various subcommittees. The Board is satisfied that it functions effectively.

The independence of non-executive directors and factors that could potentially impair it are evaluated on an ongoing basis. The Board is satisfied with the independence of all the non-executive directors classified as being independent, including Messrs ZL Combi, PE Burton and CA Otto, who have served on the Board for more than 10 years. These individuals have a thorough understanding and valuable knowledge of PSG Group's business and associated risks, and always act in the best interest of all stakeholders.

## 4.7 Broader diversity policy adopted by the Board

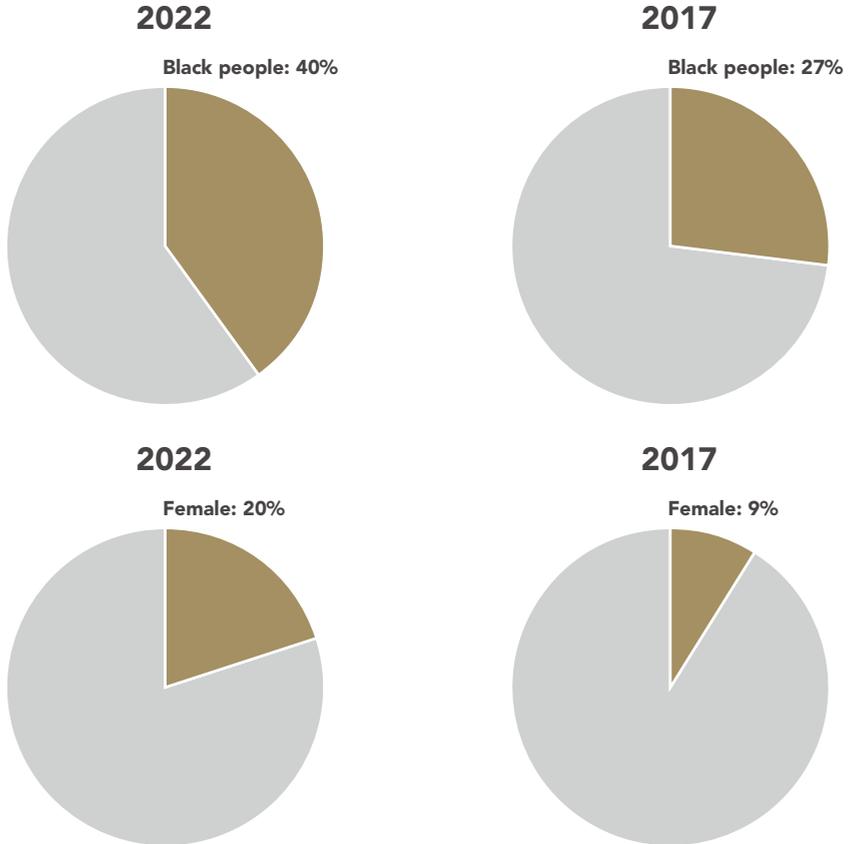
PSG Group believes that diversity at board level helps the company to achieve its business goals by providing the Board with an improved understanding of the diversity of South Africa and its people, including the environment in which the group operates. A truly diverse board will include and make good use of differences in age, gender, race, culture, skills, field of knowledge, industry experience and other distinctions.

The PSG Group Nomination Committee will consider and agree on measurable targets for achieving broader diversity at board level, to the extent deemed necessary. In identifying suitable candidates for appointment to the Board, the nomination committee will consider individuals on merit measured against objective criteria and with due regard for the potential benefits of, inter alia, race and gender diversity.

PSG Group's level of compliance against its voluntary targets is as set out in the table below:

Percentage of directors	Actual	Target
Black people	40%	≥30%
Female	20%	≥10%

The Board continues to make a concerted effort to transform from, inter alia, a race and gender perspective:



#### 4.8 Board subcommittees

The Board has appointed the following committees to assist it in the performance of its duties:

- Executive committee;
- Remuneration committee;
- Nomination committee;
- Audit and risk committee; and
- Social and ethics committee.

##### 4.8.1 Executive committee ("Exco")

The Exco is chaired by Mr PJ Mouton (CEO) and further comprises Messrs WL Greeff (CFO) and JA Holtzhausen (executive director). Mr A Rossouw (as representative of PSG Corporate Services (Pty) Ltd ("PSGCS"), being the appointed company secretary to PSG Group) attends the Exco meetings as a permanent invitee, while non-executive directors are always welcome to attend.

The Exco meets every month, or more frequently if required, and:

- Is responsible for determining and implementing strategy, as approved by the Board;
- Acts as the PSG Group investment committee;
- Oversees the management of PSG Alpha;

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- Acts as PSG Group treasurer – it monitors and manages the capital requirements, gearing and liquidity of PSG Group, and it allocates and invests its resources;
- Monitors the group's performance and provides strategic input and direction to the underlying companies;
- Facilitates good corporate governance throughout the group; and
- Assumes overall responsibility for the growth and performance of PSG Group.

The Board is satisfied that the authority associated with the day-to-day running of PSG Group is adequately delegated to the executive directors and their teams to ensure the effective management of PSG Group.

#### 4.8.2 Remuneration committee

The remuneration committee's composition, duties, responsibilities and focus areas are comprehensively addressed in the Remuneration Report on page 36 of this annual report. Messrs PJ Mouton and WL Greeff are invitees to the remuneration committee meetings. However, they do not form part of the remuneration committee's formal decision-making process and merely attend to answer any potential questions.

The remuneration committee is satisfied that it operated in accordance with its Board-approved charter. Its focus areas for the ensuing year will include the ongoing evaluation and refinement of PSG Group's remuneration practices to help achieve the company's stated business objectives – always with due regard to ensure remuneration remains fair and responsible to both the employee and PSG Group shareholders.

#### 4.8.3 Nomination committee

The nomination committee comprises three independent non-executive directors, namely Messrs CA Otto (chairman), ZL Combi and PE Burton. The nomination committee meets as and when required and is, among other functions, responsible for assisting the Board with the appointment of new directors by making appropriate recommendations, with due regard for, inter alia, race and gender diversity. The nomination committee is satisfied that it operated in terms of its board-approved charter during the past year.

#### 4.8.4 Audit and risk committee

The audit and risk committee comprises four independent non-executive directors, namely Mr PE Burton (chairman), Ms AM Hlobo, Ms B Mathews and Mr CA Otto, who have served as members of the audit and risk committee for 15, three, five and 10 years, respectively. The committee met twice during the past financial year on 16 April 2021 and 12 October 2021, as well as after financial year-end on 19 April 2022, with all members being present.

Messrs PJ Mouton, WL Greeff, select PSG Group finance employees and the external auditor are permanent invitees to the audit and risk committee meetings. However, they do not form part of the audit and risk committee's formal decision-making process.

The audit and risk committee is satisfied that it operated in terms of its board-approved charter during the past year. A report by the audit and risk committee containing details of how the committee discharged its duties and responsibilities in the past year, is included on page 58 of this annual report.

Apart from its normal duties and responsibilities, the audit and risk committee's areas of focus for the ensuing financial year will include the implementation of the PSG Group Restructuring (as detailed in the *Letter to Shareholders*), if approved.

#### 4.8.5 Social and ethics committee

The social and ethics committee comprises two independent non-executive directors and the CEO, being Messrs PE Burton (chairman), ZL Combi and PJ Mouton. The committee met once during the past year on 8 July 2021, with all members being present.

The social and ethics committee is responsible for monitoring the company's activities, with due regard for any relevant legislation, legal requirements and prevailing codes of best practice relating to matters, which include:

- Social and economic development;
- Good corporate citizenship;
- The environment, health and public safety;
- Client relationships; and
- Labour and employment.

The social and ethics committee is satisfied that it operated in terms of its board-approved charter during the past year. The committee is furthermore satisfied with the social and ethical aspects pertaining to PSG Group, as detailed above.

The social and ethics committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act of South Africa, and there were no instances of material non-compliance to disclose.

#### 4.9 *Appointments to the Board*

Executive directors are appointed by the Board with the assistance of the nomination committee for periods as the Board deems fit, and on such further terms as are set out in their letters of appointment.

Where appropriate, the CEOs and other executive directors of PSG Group's investees have entered into service contracts with those investees.

Newly appointed board members are formally inducted through a programme comprising, inter alia, the reading of company-related material and one-on-one information sessions. All board members have an open invitation to attend further training courses as and when required.

PSG Group's memorandum of incorporation requires a minimum of one third of the non-executive directors of the company, including non-executive directors having served for three consecutive years without rotating, to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting of the company. In addition, the appointment by the Board of any new director should be confirmed by shareholders at the first annual general meeting following such appointment. Hence, in accordance with the company's memorandum of incorporation, Messrs ZL Combi and PE Burton, as well as Ms B Mathews, who retire by rotation and offer themselves for re-election, will be available for re-election by shareholders at PSG Group's annual general meeting to be held on 7 October 2022.

#### 4.10 *Company secretary*

PSGCS is the appointed company secretary to PSG Group. It acts as conduit between the Board and the company. The company secretary is responsible for Board administration, as well as for liaising with the Companies and Intellectual Property Commission and the JSE. Board members also have access to legal and other expertise when required in such capacity and at the cost of the company through the company secretary. The Board is satisfied with the availability of legal and other expertise on offer.

The company secretary maintains a professional relationship with Board members, giving direction on matters such as good corporate governance, if required. The Board, via the audit and risk committee, has reviewed, through discussion and assessment, the qualifications, experience and competence of the individuals employed by the company secretary, and concluded that it had performed all formalities and its duties timeously and in an appropriate manner. The Board is satisfied that an arm's-length relationship exists with the company secretary.

The certificate that the company secretary, herein represented by Mr A Rossouw, is required to issue in terms of section 88(2)(e) of the Companies Act of South Africa, is included on page 59 of this annual report.

#### 4.11 *Transformation*

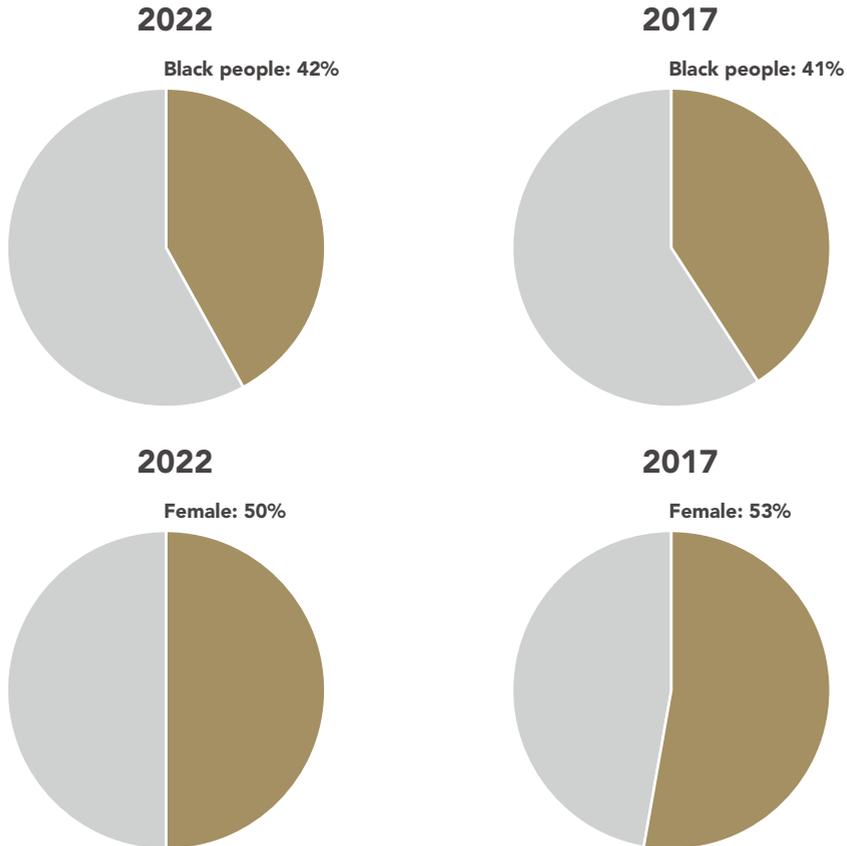
PSG Group is committed to creating and maintaining an environment that provides equal opportunities for all its employees, with a view to promote transformation. The company recognises that there are disparities in employment, occupation, income and opportunities within the labour market, with black people, women and people with disabilities historically being disadvantaged.

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The 12 employees at head office responsible for the day-to-day running of PSG Group, its wholly-owned subsidiaries and PSG Alpha, are employed by PSGCS, a wholly-owned subsidiary. To promote transformation at head office level, PSGCS has previously established a transformation committee consisting of Messrs ZL Combi (chairman), PE Burton and WL Greeff, all being directors of PSG Group, with the majority being independent non-executives. The transformation committee met once during the past year on 12 January 2022 and all members were present. At such meeting, the committee again approved an employment equity plan for PSGCS to improve equity in the workplace containing, inter alia, five-year employment equity targets.

PSGCS continues to make a concerted effort to transform from both a race and gender perspective:



#### 4.12 Other policies

Apart from policies mentioned elsewhere in this report, such as the broader diversity policy, PSG Group previously adopted and continues to apply, inter alia, the following policies:

- Anti-money laundering policy;
- Dealing in securities policy;
- Price-sensitive information policy; and
- Whistleblowing policy.

Such policies are available for information purposes from the company secretary.

#### 4.13 *Compliance with the Companies Act of South Africa and memorandum of incorporation*

The PSG Group directors have confirmed that, to the best of their knowledge, PSG Group i) complied with the provisions of the Companies Act of South Africa, and ii) operated in accordance with its memorandum of incorporation during the year under review.

#### 4.14 *Material risks*

A description of all immediately identifiable material risks which are specific to PSG Group, its industry and/or its issued ordinary shares are available at [www.psggroup.co.za](http://www.psggroup.co.za).

### 5. **STRATEGY, PERFORMANCE AND REPORTING TO STAKEHOLDERS**

PSG Group has set out its strategy, as well as feedback on its performance there against, in the *Letter to Shareholders* on page 6 of this annual report.

PSG Group fully subscribes to the notion of honesty and transparency, which includes timely, clear, succinct and accurate reporting to all stakeholders. Such reporting includes the publication of PSG Group's bi-annual financial results and any other information considered appropriate and for the benefit of all stakeholders, be it voluntarily or as required by the JSE Listings Requirements.

### 6. **GOVERNANCE MATTERS**

#### 6.1 *Risk management and internal control*

The Board acknowledges that it is accountable for PSG Group's process of risk management and systems of internal control. Each of PSG Group's investees similarly has its own board of directors responsible for the risk management and systems of internal control of that company and its business.

Certain of the group's investees, such as PSG Konsult, operate in highly regulated environments and accordingly risk management in those entities is performed by dedicated risk and compliance teams, as well as internal audit functions where appropriate.

The following risk management measures have been implemented at PSG Group and its investees:

- Detailed risk assessments, containing the identified risk(s) together with control(s) implemented to mitigate such risk(s), to the extent possible; and
- Risk control logs, containing details of the occurrence of risk events, together with management's response thereto and, where appropriate, additional control(s) implemented to help prevent such events from re-occurring and/or reduce the impact thereof.

On the recommendation of the audit and risk committee, the Board has decided not to establish an internal audit function at PSG Group level given the nature and extent of its day-to-day activities as an investment holding company, its strong internal control environment and its limited staff complement comprising 12 employees. In addition, PSG Group's major investees have, where necessary, either established or outsourced their own internal audit functions.

The Board, on recommendation from the audit and risk committee, concluded that the systems of internal control and the risk management process at PSG Group level were effective for the financial year under review. The Board is satisfied that there was no material breakdown in controls at either PSG Group or its investees during the past financial year.

#### 6.2 *Technology and information governance*

PSG Group's head office employs a dedicated information technology ("IT") manager responsible for IT governance, who reports to PSG Group's CFO. IT is essential to all PSG Group's investees, with IT governance continuously treated as a priority by all.

As IT does not play a significant role in the continuity of our business at a PSG Group head office level due to its nature and size, the risk associated therewith is somewhat limited. However, continued data security remains a key focus area for the IT manager.

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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(continued)

## 6.3 *Compliance function*

PSG Group has not appointed a dedicated compliance officer as it has continuous access to the inhouse corporate finance advisory and legal expertise of PSG Capital. If required, PSG Group will obtain further independent advice from reputable third-party consultants.

As mentioned earlier, certain of the group's investees operate in highly regulated environments and therefore have appointed dedicated compliance officers and established the necessary support structures.

## 6.4 *Remuneration governance*

Remuneration governance is comprehensively addressed in the Remuneration Report contained on page 36 of this annual report.

## 6.5 *Assurance*

PSG Group, being an investment holding company, does not require independent assurance in respect of any reports other than its annual financial statements. Such assurance is provided by PSG Group's external auditor, whose report is included on page 63 of this annual report.

## 7. **STAKEHOLDER RELATIONSHIPS**

PSG Group subscribes to the principles of objective, honest, accurate, transparent, timeous, balanced, relevant and understandable communication of financial and non-financial information to stakeholders at all times. PSG Group has individuals responsible for dealing with stakeholder queries.

PSG Group acknowledges the vital role and responsibility of regulators as stakeholders. Our relationships with them are maintained in a professional manner – always frank, open and respectful.

